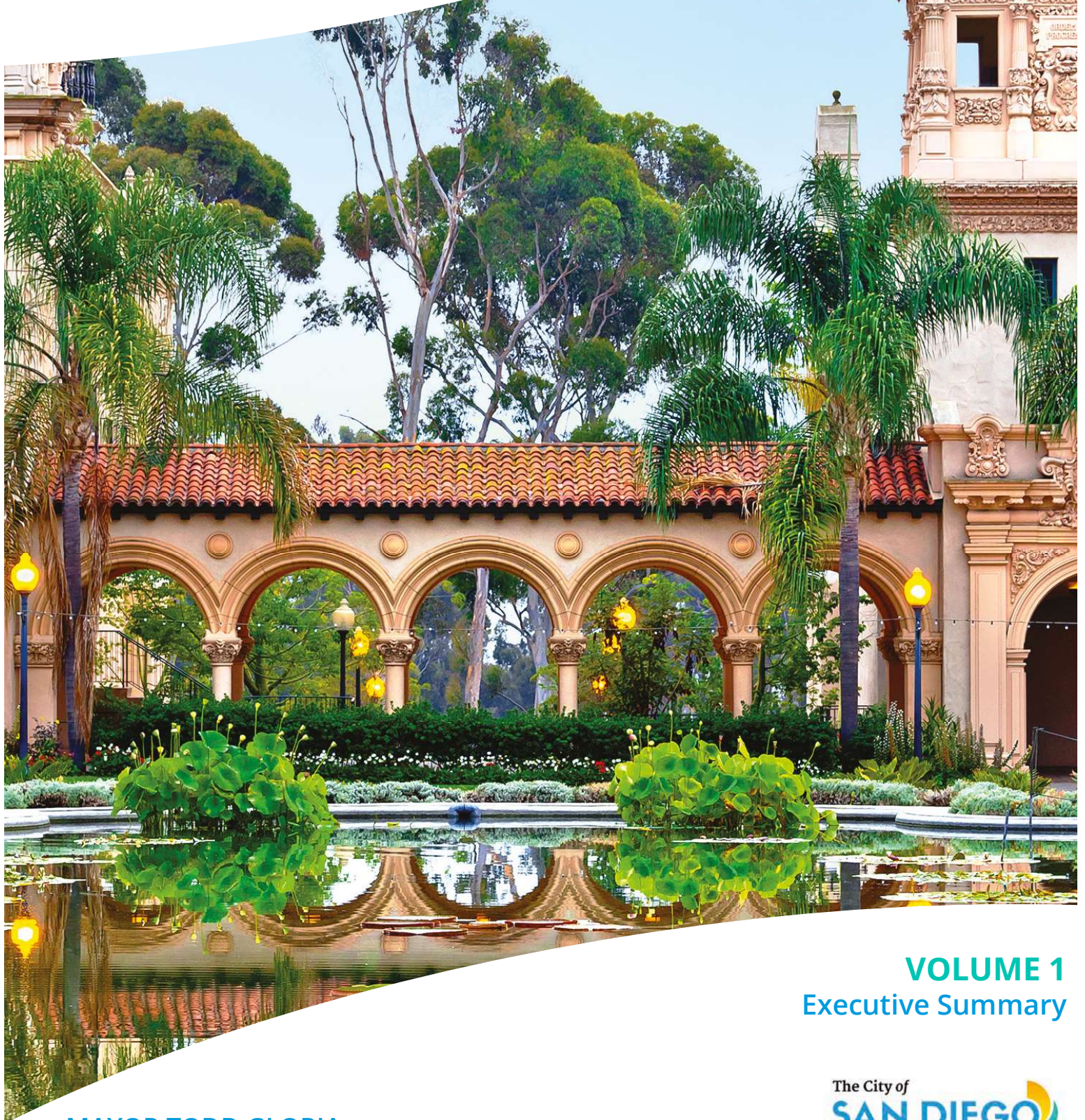


Proposed FISCAL YEAR Budget 2022



VOLUME 1 Executive Summary

MAYOR TODD GLORIA

The City of
SAN DIEGO

Executive Summary



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Executive Summary

Executive Summary

The City of San Diego's Fiscal Year 2022 Proposed Budget is \$4.6 billion and is comprised of five operating fund types and the Capital Improvements Program (CIP):

- General Fund;
- Special Revenue Funds;
- Capital Project Funds;
- Enterprise Funds;
- Internal Service Funds; and
- Capital Improvements Program.

This represents an increase of \$537.1 million or 13.4 percent compared to the Fiscal Year 2021 Adopted Budget. This is primarily due to increases in Capital Improvements Program associated with the Pure Water Program and the General Fund to maintain services and add investments including employee compensation, getting San Diegans "Back to Work", homelessness programs and services, road repair and climate equity funding, compliance costs and increases to the City's pension payment.

The Fiscal Year 2022 Proposed Budget includes a total of 11,818.57 Full-Time Equivalent (FTE) positions, representing an increase of 91.64 FTE positions or 0.8 percent compared to the Fiscal Year 2021 Adopted Budget. This net increase is primarily due to positions added in the Public Utilities Department to support operations and preventative maintenance. The General Fund added approximately 10.87 FTE net positions, resulting from 118.20 FTE additions and 107.33 FTE reductions.

Total City Expenditures Fiscal Years 2021-2022 by Fund Type/Program (in millions)

Fund Type/Program	FY 2021	FY 2022
General Fund	\$1,620.9	1,728.8
Special Revenue Funds	703.2	734.8
Capital Project Funds	32.4	19.1
Enterprise Funds	1,131.4	1,173.5
Internal Service Funds	166.4	155.3
Capital Improvements Program	367.5	747.5
Total	\$ 4,021.8	\$ 4,559.0

Total City FTE Positions Fiscal Years 2021-2022 by Fund Type

Fund Type	FY 2021	FY 2022
General Fund	7,640.02	7,650.89
Special Revenue Funds	1,076.06	1,074.51
Enterprise Funds	2,610.62	2,699.69
Internal Service Funds	337.23	330.48
Other Funds	63.00	63.00
Total	11,726.93	11,818.57

Budget Process

The annual operating budget is developed in conjunction with the Mayor, City Council, City departments, Independent Budget Analyst, and public input. The Budget Development Process consists of three main phases: budget development, budget review, and budget adoption.

The Budget Development phase began with the release of the Fiscal Year 2022-2026 Five-Year Financial Outlook (Outlook) in Fall 2020, which is prepared each year to establish the initial framework for the development of the Fiscal Year 2022 Proposed Budget. Based on this year's Outlook, General Fund departments and various non-General Funds were directed to only submit reduction proposals and budget requests that maintain the City's core service levels. City departments submitted budget requests and

Executive Summary

reduction proposals to the Department of Finance in January 2021 that were analyzed, reviewed, and prioritized by the City's Executive Team in February 2021.

In addition to the revenue shortfall projected in the Outlook, the Mid-Year Budget Monitoring Report projected an additional \$85.4 million deficit for Fiscal Year 2021. As a result, the Fiscal Year 2022 General Fund Proposed Budget is a reflection of a multi-year analysis that funds critical expenditures in Fiscal Year 2022 and addresses the projected revenue shortfalls in Fiscal Year 2021, Fiscal Year 2022, and in future fiscal years with proposed reductions, recommended allocation of funds included in the American Rescue Plan Act, and other mitigation actions. Looking beyond Fiscal Year 2022, there is an ongoing need to reach a structurally balanced budget where ongoing revenues support ongoing expenditures. The proposed multi-year analysis reflects revenue shortfalls in future fiscal years and will require further mitigations, such as the use of reserves, additional budget reductions, or identification of new revenue sources. For additional information on how the Fiscal Year 2021 and Fiscal Year 2022 was balanced, please refer to the Citywide Budget Overview section of this Volume.

During the Budget Review phase, the City Council will hold a series of public meetings in the months of April and May 2021 to obtain input from San Diego residents on spending priorities. The Mayor and City Council will use the information at these hearings to recommend changes to the Fiscal Year 2022 Proposed Budget through the Mayor's May Revision and City Council modifications, respectively. The Budget Adoption phase begins with the City Council approving the budget, and once the final changes have been made by the Department of Finance, the City Council will be presented with the Annual Appropriation Ordinance, where it is anticipated that the Fiscal Year 2022 Adopted Budget will be enacted into law, concluding the Budget Development Process.

General Fund Overview

Departments within the General Fund provide core community services such as public safety (including police/fire protection and life safety), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. These four major General Fund revenue sources account for \$1.16 billion or 67.3 percent of the revenue in the Fiscal Year 2022 Proposed Budget. Projected growth rates for these revenue sources when the Fiscal Year 2022 Proposed Budget was prepared are as follows:

- Property Tax: 4.00 percent
- Sales Tax: 13.16 percent
- Transient Occupancy Tax: 75.32 percent
- Franchise Fees:
 - SDG&E: 1.91 percent
 - Cable: -4.60 percent

This year, a direct federal revenue allocation from the American Rescue Plan allowed the City to maintain vital services to its residents. The remainder of revenues in the General Fund are generated by a variety of resources. After incorporating all adjustments, the Fiscal Year 2022 Proposed Budget maintains a balanced and fiscally responsible budget. Additional details on both revenue and expenditure adjustments are provided later in this Volume.

Critical Expenditures

The Fiscal Year 2022 Proposed budget includes approximately \$57.5 million for new services and \$44.0 million to maintain current services. New services include some top Mayoral priorities such as investments to get San Diegans "Back to Work", homelessness funding to support our most vulnerable communities, infrastructure funding for the "sexy" streets initiative in communities of concern, and the creation of the

Executive Summary

Climate Equity Fund to help underserved communities effectively respond to impacts of climate change. Notable additions to maintain current services include funding for anticipated compensation increases for represented employees, currently being negotiated, and for unrepresented employees, funding for the continuation of COVID-19 sanitation and supplies, funding for positions filled in prior fiscal years, but not yet added in the annual budget, and funding to maintain operational and capital support of the Convention Center.

The list below highlights some of the General Fund critical expenditures.

<i>Back to Work SD</i>	Funding in non-personnel expenditures for programs to get San Diegans back to work through a variety of initiatives that support small businesses and summer youth programs.
<i>Citywide Park Facilities</i>	Funding in positions and non-personnel expenditures for new Facilities, Play All Day Sites, and Joint Use Facilities.
<i>Climate Equity Fund</i>	Funding in non-personnel expenditures for disadvantaged communities to adapt to climate change and for related actions.
<i>“Sexy” Streets Funding</i>	Funding for streets in communities of concern.
<i>Convention Center Corporation Operational Support</i>	Funding to support the operations of the San Diego Convention Center Corporation.
<i>COVID-19 Support</i>	Funding to support upstaffing and emergency medical services to respond to the COVID-19 public health emergency.
<i>Fire Academies</i>	Funding for two additional Fire Academies to increase staffing levels.
<i>Homeless Programs and Services</i>	Funding in one-time non-personnel expenditures associated with crisis intervention and housing investment opportunities.
<i>Employee Compensation</i>	Funding related to employee compensation increases.
<i>Library Materials and Programming</i>	Funding in non-personnel expenditures associated to e-materials and equity focused virtual and expanded programming.
<i>Mobility Action Plan</i>	Funding in non-personnel expenditures associated with the Mobility Action Plan.
<i>New Commission On Police Practices</i>	Funding of positions and non-personnel expenditures associated to the establishment of the Office of Commission on Police Practices.
<i>Public Safety Radios</i>	Funding in non-personnel expenditures for the acquisition of public safety radios for the Police and Fire-Rescue Departments.
<i>SB1383 - Organics Collection</i>	Initial Funding in non-personnel expenditures to support the implementation of organics collection to comply with State Bill 1383.
<i>Small Business Ombudsman Program</i>	Funding for positions to provide small business ombudsman services.
<i>Storm Water Pipe Repair</i>	Funding of positions and non-personnel expenditures for repair citywide storm drain pipe repairs.
<i>Supplemental Positions</i>	Funding for existing supplemental positions in various departments.

Budget Reductions

In order to offset shortfalls in major General Fund revenues due to the COVID-19 pandemic and support the critical expenditures mentioned above, the Fiscal Year 2022 Proposed Budget includes budget reductions that were strategically chosen to minimize impacts to core service levels. The list below includes budgeted reductions from the Fiscal Year 2022 Proposed Budget. For more information, please see the General Fund Expenditures section of this Volume.

Executive Summary

Executive Management	Reduction of 2.00 FTE positions associated with a restructure of operations and changes in organizational management.
Library	Reorganization of Library hours of operation to a Tuesday to Saturday schedule with an increase in Library e-materials and equity focused virtual and expanded programming.
Police	Reduction in overtime expenditures associated to extension of shift, neighborhood policing, and Clean SD.
Environmental Services	Reduction of non-personnel expenditures associated with efficiencies in Clean SD sanitation services.

Non-General Fund Overview

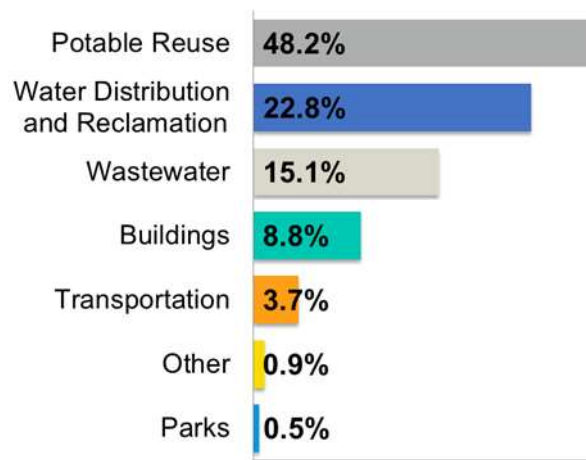
In addition to the General Fund, the Fiscal Year 2022 Proposed Budget includes the following major changes in other non-general funds:

Airports Fund	Addition of non-personnel expenditures associated to the maintenance and repair of various facilities.
Environmental Growth Funds	Addition of non-personnel expenditures to maintain open space and developed regional parks for the purpose of preserving and enhancing the environment.
Municipal Sewer Fund	Addition of positions and non-personnel expenditures associated with facilities maintenance, energy program, and the hauling and disposal of biosolids.
Water Utility Operating Fund	Addition of positions and non-personnel expenditures associated with debt service, preventative maintenance, purchase of water, dam maintenance, and Pure Water Operations.

Capital Improvements Program Overview

The Fiscal Year 2022 Proposed CIP Budget for all funds is \$747.5 million. This budget allocates existing funds and anticipated revenues to both new and continuing projects. The allocation of funds is based upon an analysis of available funding sources, as well as a review of project needs and priorities.

Proposed Fiscal Year 2022 CIP Budget by Project



Executive Summary

Conclusion

The Fiscal Year 2022 Proposed Budget continues to focus on the City's goals and make onetime investments to respond to the continued impacts from the COVID-19 pandemic and help residents get back to work. This balanced budget includes funding to maintain current services and fund new critical expenditures, with limited budget reductions. The Proposed Budget addresses the shortfalls in Fiscal Year 2021 and Fiscal Year 2022 and responsibly uses the one-time funding from the American Rescue Plan Act. However, to maintain a balanced budget in future years it will require further mitigations such as use of reserves, additional budget reductions, or identification of new revenue sources. Additional details are included throughout this Volume.

Executive Summary



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